Connect the Dots Conference 2020

How to Overcome Financial Challenges: From Mindset to Action
Mark Munzenberger
Financial Education Manager
2020 ... not a typical year

Very bad, would not recommend.
“Financial Stress” can be defined as:

“A condition that is the result of financial and/or economic events that create anxiety, worry, or a sense of scarcity, and is accompanied by a physiological stress response.”
S&P 500 surpasses all-time high

- **February 19, 2020**
  S&P 500 closes at all-time high: 3386.15

- **March 23, 2020**
  S&P 500, in bear market, bottoms 33.9% from Feb. 19 record

- **August 18, 2020**
  S&P 500 closes above Feb. 19 record, bull market declared from March 23 bottom

SOURCE: FactSet. Data as of 9:50 a.m. on 8/18/2020.
Financially, how have you adapted?

1. Have your spending habits changed? How and why?

2. Do you find you are saving more?

3. Do you pay closer attention to your finances now? *Examples would be your retirement accounts, the amount of debt you have, the amount in your emergency fund, etc.*

4. Have you delayed any large purchases?
### How is our Financial Well-Being?

**CFPB FINANCIAL WELL-BEING SCALE**

**Questionnaire**

**Part 1: How well does this statement describe you or your situation?**

<table>
<thead>
<tr>
<th>This statement describes me</th>
<th>Completely</th>
<th>Very well</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I could handle a major unexpected expense</td>
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<tr>
<td>2. I am securing my financial future</td>
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<tr>
<td>3. Because of my money situation, I feel like I will never have the things I want in life</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4. I can enjoy life because of the way I'm managing my money</td>
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<td></td>
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<tr>
<td>5. I am just getting by financially</td>
<td></td>
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<tr>
<td>6. I am concerned that the money I have or will save won’t last</td>
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</tbody>
</table>
See how your score compares

Compare by:

- Age
- Household income
- Employment status

- Your score: 54
- U.S. average: 54
- 18-24 year olds: 51
- 25-34 year olds: 51
- 35-44 year olds: 52
- 45-54 year olds: 54
- 55-64 year olds: 55
- 65-74 year olds: 61
- 75+ year olds: 60
What is a Money Mindset?

A money mindset is your unique and individual set of core beliefs about money and how money works in the world. It is your **attitude** about money.

Your money mindset shapes:

- What you believe you can and cannot do with money
- How much you can and should spend
- The way you utilize debt
- How much money you give away
- Your ability to invest with confidence and success.
What do we see here?

½ full

½ empty
Changing that Mindset

That point on a beautiful Sunday afternoon when you realize you have to work or go to school on Monday morning …

Sunday-itis!!
A Positive Money Mindset

Having a positive money mindset is a precursor for the actions and tasks that will propel you to financial wellness.
A Positive Money Mindset

1. Made Money Mistakes in the Past?

It is what it is. Accept it and move on.
An expensive lesson
2. Eliminate the Scarcity Mindset

A scarcity mindset is the belief that there will never be enough, resulting in feelings of fear, stress, and anxiety. On the other hand, an abundance mindset flows out of a deep inner sense of personal worth and security. It's grounded in the belief that there is more than enough for everyone.
A Positive Money Mindset

Us

Joneses
A Positive Money Mindset

- **Gratitude**: I am thankful for my paychecks.
- **Positive Outcomes**: I enjoy financial security.
- **Peace of Mind**: I am at peace with my money.
- **Wise Choices**: I always save a portion and I save wisely.

**The Abundance Loop**
3. How’s our Money Talk?

Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.

Ayn Rand
3. How’s our Money Talk?

“I have to go to work.”

“I hate paying these bills.”

“I’m terrible with money.”

“This cable bill is such a rip-off.”

“For what I pay each month, my medical coverage is awful.”
A Positive Money Mindset

4. Give some away!
5. Goals – “Go Big or Go Home” …. Not!
A Positive Money Mindset
“Retirement” calculator ...

“Based on your current age and savings, you will need ...

• $1,653,230 to retire comfortably,

• And you should be saving an additional $1,312 per month to reach your goals.”
Setting smaller goals

“Payoff a credit card”

“Improve the credit score by 30 points”

“Build a 2 month Emergency Fund”

“Reduce food expenses by $75 next month”
You Are Financially Healthy When You …

**Spend**
1. Spend less than income
2. Pay bills on time and in full

**Save**
3. Have sufficient liquid savings
4. Have sufficient long-term savings or assets

**Borrow**
5. Have a sustainable debt load
6. Have a prime credit score

**Plan**
7. Have appropriate insurance
8. Plan ahead for expenses
1. Build an Emergency Fund of at least three (3) months of “normal living expenses”.
2. Your overall Savings Strategy should include all three (3) buckets.

Emergency  Living Life  Retirement
2021

Spending Plan Pie Chart

- Housing 35%
- Savings 10%
- Other Living Expenses 25%
- Debt 15%
- Transportation 15%
3. Use Technology
4. Rock the Credit Score!
### $20,000 Auto Loan 60 months

<table>
<thead>
<tr>
<th></th>
<th>Rachel</th>
<th>Miquel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Score</td>
<td>640</td>
<td>720</td>
</tr>
<tr>
<td>APR</td>
<td>10.99%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$435</td>
<td>$359</td>
</tr>
<tr>
<td>Total cost</td>
<td>$26,085</td>
<td>$21,562</td>
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</tbody>
</table>
Credit Health

• Pay all bills on time (set-up auto payments)

• Understand credit card utilization
  • Target usage is 30% or less

• Don’t close credit cards
Mark was 30 days late on his most VISA credit card bill. Once this appears on his credit report, his score will likely drop how much:

A. 10-20 points
B. 30-40 points
C. 60-80 points
D. It won’t drop for just 1 late payment
5. Be Careful with Credit Cards
Credit Card Example

The situation …
• Current balance is $4,900
• Interest Rate = 18%
• Current Minimum Payment = $115
• Due date is October 20, 2020
6. Take advantage of low interest rates

3.5%
7. Create good spending habits
Be careful of the “Latte” factor

Spending $5 at Starbucks isn’t a bad idea once in a while. But do it every day and that $5 treat is a $100 a month expense - that’s $1,200 a year!
Use the 24 hour rule for expensive or impulse purchases!
8. Protect Yourself
Thanks!!

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